

TARTER KRINSKY & DROGIN LLP

Proposed Attorneys for

Headlee Management Corp., et al.

Debtors and Debtors-in-Possession

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New York, New York 10018

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Scott S. Markowitz, Esq.

Ira R. Abel, Esq.

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In re:	:
	:
HEADLEE MANAGEMENT CORP.,	:
	:
Debtor.	:
Tax ID No.: 14-1510315	:
-----X	
In re:	:
	:
KENTUCKY FRIED CHICKEN	:
OF DANBURY, INC.,	:
	:
Debtor.	:
Tax ID No.: 14-1512673	:
-----X	
In re:	:
	:
NORTH STREET FOOD SERVICES, INC.,	:
	:
Debtor.	:
Tax ID No.: 06-1350151	:
-----X	
In re:	:
	:
KENTUCKY FRIED CHICKEN	:
OF MIDDLETOWN, INC.,	:
	:
Debtor.	:
Tax ID No.: 14-1621796	:
-----X	

-----X	
In re:	:
	:
NO. PLANK ROAD FOOD SERVICES, INC.,	:
	:
Debtor.	:
Tax ID No.: 14-1697146	:
-----X	:
In re:	:
	:
KENTUCKY & LONG JOHN	:
FOOD CORPORATION,	:
	:
Debtor.	:
Tax ID No.: 55-0802170	:
-----X	:
In re:	:
	:
KFC OF MONTICELLO, INC.,	:
	:
Debtor.	:
Tax ID No.: 14-1822341	:
-----X	:
In re:	:
	:
WINDSOR HIGHWAY AB	:
FOOD SYSTEMS CORPORATION,	:
	:
Debtor.	:
Tax ID No.: 04-3720340	:
-----X	:
In re:	:
	:
WAPPINGERS FOOD SERVICES, INC.,	:
	:
Debtor.	:
Tax ID No.: 57-1136720	:
-----X	:
In re:	:
	:
KINGSTON FOOD SERVICES, INC.,	:
	:
Debtor.	:
Tax ID No.: 20-1137289	:
-----X	:

Chapter 11

Case No.:

(Joint Administration Pending)

Chapter 11

Case No.:

(Joint Administration Pending)

Chapter 11

Case No.:

(Joint Administration Pending)

Chapter 11

Case No.:

(Joint Administration Pending)

Chapter 11

Case No.:

(Joint Administration Pending)

Chapter 11

Case No.:

(Joint Administration Pending)

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In re:	:	
	:	Chapter 11
WING JOINT VENTURE, INC.,	:	
	:	Case No.:
Debtor.	:	
Tax ID No.: 20-1500752	:	(Joint Administration Pending)
-----	X	
In re:	:	
	:	Chapter 11
WJV ALABAMA, INC.,	:	
	:	Case No.:
Debtor.	:	
Tax ID No.: 20-2111299	:	(Joint Administration Pending)
-----	X	
In re:	:	
	:	Chapter 11
WJV MISSISSIPPI, INC.,	:	
	:	Case No.:
Debtor.	:	
Tax ID No.: 20-3136419	:	(Joint Administration Pending)
-----	X	
In re:	:	
	:	Chapter 11
BW OF KINGSTON, INC.,	:	
	:	Case No.:
Debtor.	:	
Tax ID No.: 26-0294111	:	(Joint Administration Pending)
-----	X	
In re:	:	
	:	Chapter 11
ROUTE 32 NW REALTY, LLC,	:	
	:	Case No.:
Debtor.	:	
Tax ID No.: 52-2383893	:	(Joint Administration Pending)
-----	X	
In re:	:	
	:	Chapter 11
KFC OF MONTICELLO REAL ESTATE L.L.C.,	:	
	:	Case No.:
Debtor.	:	
Tax ID No.: 14-1822343	:	(Joint Administration Pending)
-----	X	

LOCAL RULE 1007-2 AFFIDAVIT

STATE OF NEW YORK)
 ss.:
COUNTY OF NEW YORK)

Thomas N. Thurber, being duly sworn deposes and states:

1. I am the President and Chief Executive Officer of Headlee Management Corp. (“Headlee” or “Debtor”), a corporation organized under the laws of the state of New York. Headlee and certain of its subsidiaries and affiliates (collectively, the “Debtors”) intend to file Chapter 11 petitions with the Clerk of this Court on or about December 3, 2009.¹

2. Although the Debtors are each independent legal entities, I am generally familiar with the Debtors’ individual and joint day-to-day operations, businesses and financial affairs. The Debtors operate on a consolidated basis.

3. I submit this affidavit pursuant to Rule 1007-2 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”) in support of the Debtors’ voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”), filed as of the date of the order for relief in these cases (the “Petition Date”), and the Debtors’ contemporaneously filed requests for relief in the form of motions and applications (the “First-Day Motions”).

4. I have reviewed the Debtors’ petitions and the First-Day Motions, or have otherwise had their contents explained to me, and it is my belief that the relief sought therein is

¹ The Debtors are Headlee Management Corp. (“Headlee”), Kentucky Fried Chicken of Danbury, Inc. (“Danbury”), North Street Food Services, Inc. (“North Street”), Kentucky Fried Chicken of Middletown, Inc. (“Middletown”), No. Plank Road Food Services, Inc. (“Plank Road”), Kentucky & Long John Food Corporation (“Long John”), KFC of Monticello, Inc. (“Monticello”), Windsor Highway AB Food Systems Corporation (“Windsor Highway”), Wappingers Food Services, Inc. (“Wappingers”), Kingston Food Services, Inc. (“Kingston Food”), Wing Joint Venture, Inc. (“Wing Joint”), WJV Alabama, Inc. (“WJV”), WJV Mississippi, Inc. (“Mississippi”) BW of Kingston, Inc. (“BW”), Route 32 NW Realty, LLC (“Route 32”), and KFC of Monticello Real Estate L.L.C. (“Monticello Real Estate”).

essential to ensure the uninterrupted operation of the Debtors' businesses and the success of the Debtors' reorganization.

5. Except as otherwise indicated, the facts set forth in this affidavit are based upon my personal knowledge, my review of relevant documents, information provided to me by employees working under my supervision, or my opinion based upon my experience, knowledge, and information concerning the Debtors' operations and their industries as a whole. I am authorized to submit this affidavit on behalf of each Debtor, and if called upon to testify, I would testify competently to the facts set forth herein. Unless otherwise indicated, any financial information contained in this affidavit or the exhibits annexed hereto is unaudited and presented on an estimated basis.

6. There are no other or prior bankruptcy cases filed by or against the Debtors.

7. No committee of unsecured creditors was organized prior to the Petition Date.

8. No trustee or receiver has been appointed.

9. A copy of the Debtors' board resolutions authorizing the Chapter 11 filings have been filed with each of their respective petitions and are incorporated by reference herein.

10. Headlee is a privately held corporation organized under the laws of the State of New York. Headlee's principal office is located at 1450 Route 300, #204, Newburgh, New York 12550. Headlee's assets are located at that address, except for the assets located at Headlee's affiliated entities that operate quick service and full service restaurants.

11. Headlee, through its subsidiaries and affiliated entities, operates eleven (11) restaurants in New York, Connecticut, Alabama and Mississippi. In addition, Headlee owns two (2) real estate holding companies and controls the holding company for WJV Alabama and WJV Mississippi. An organizational chart is attached hereto as **Exhibit "A."**

12. Headlee, through its subsidiaries, currently operates two Arby's restaurants in New York. Headlee recently closed an Arby's restaurant located in New Windsor, New York. Headlee operates six Kentucky Fried Chicken restaurants. Two are located in Connecticut, and four are located in New York. Headlee also operates three Buffalo Wild Wings franchises, one in Kingston, New York, one in Montgomery, Alabama and one in Pascagoula, Mississippi.

13. Headlee owns or controls, in whole or in part, each of the other Debtors:

(a) Headlee owns 100% of the shares of Danbury, North Street, Middletown, Plank Road, Long John, Monticello, Windsor Highway, Kingston Food and Wappingers.

(b) Headlee owns 100% of the interests in Route 32 and Monticello LLC.

(c) Headlee owns 85% of BW.

(d) Headlee owns 51% of Wing Joint.

(e) Wing Joint owns 100% of WJV and Mississippi.

14. Headlee was owned by Jan Headlee ("Jan"). Jan was a well-known Kentucky Fried Chicken franchisee. Jan operated KFC franchises for over 40 years. Jan died in May 2008. The primary beneficiary of Jan's estate is his step-daughter, Laura Wagner. Andre Moglia (the "Executor") is the executor of Jan's estate and the trustee of the trust set up by Jan's Will. As a result of Jan's unexpected death, Headlee's business was left without proper management and the business went into decline. In or about March 2009, I was retained by the Executor to run Headlee.

15. Headlee is a party to a non-residential real property lease for its office headquarters located at 1450 Route 300, #204, Newburgh, New York 12550. The monthly rent is \$5,000. Danbury operates a KFC located at 1 Federal Road, Danbury, Connecticut. Danbury has an oral lease as Headlee owns the property. North Street operates a KFC located at 87-91 North Street, Danbury, Connecticut. North Street has an oral lease as Headlee owns the

property. Middletown operates a KFC located at 490 State Route 211 East, Middletown, New York. Middletown is a party to a non-residential real property lease for this premises. The flat monthly rent is \$7,083. Plank Road operates a KFC located at 171 North Plank Road, Newburgh, New York. Plank Road is a party to a non-residential real property lease for this premises. The monthly rent is \$3,737. Long John operates a KFC located at 334 Windsor Highway, New Windsor, New York 12553. Headlee, through its wholly owned subsidiary Route 32, owns the real estate for this location. Monticello operates a KFC located at 4459 Route 42, Monticello, New York 12701. Headlee, through its wholly owned subsidiary Monticello LLC, owns the real estate for this location. Windsor Highway operated an Arby's located at 330 Windsor Highway, New Windsor, New York 12553. Windsor Highway is a party to a non-residential real property lease with Petro Metals, Inc. The monthly rent is \$3,333. Wappingers operates an Arby's located at 1491 Route 9, Wappingers Falls, New York 12590. Wappingers is a party to a non-residential real property lease with the Estate of Jack Davis. The monthly rent is approximately \$5,500.00. Kingston Food operates an Arby's located at 20 Massa Drive, Kingston, New York 12401. Kingston Food is a party to a non-residential real property lease with Florida Samas Venture, Inc. The monthly rent is approximately \$6,000.00. WJV Alabama operates a Buffalo Wild Wings located at 7971 Vaughn Road, Montgomery, Alabama 36116. WJV Alabama is a party to a non-residential real property lease with Festival Plaza LLC. The monthly rent is approximately \$10,125.00. WJV Mississippi operates a Buffalo Wild Wings located at 4101 Denny Avenue, Pascagoula, Mississippi 39581. WJV Mississippi is a party to a non-residential real property lease with Equity One Realty and Management SE, Inc. The monthly rent is approximately \$7,000.00.

16. For the year ending December 31, 2008, the Debtors had gross revenues of \$14,445,000.00, on a consolidated basis. For the year ending December 31, 2007, the Debtors

had gross revenues of \$13,700,000.00. Gross revenues for the current year to date are approximately \$13,000,000.

17. On October 27, 2009, KFC allegedly terminated three of the Debtors' franchise agreements, allegedly for failure to maintain and/or upgrade the premises located at (i) 1 Federal Road, Danbury CT 06810; (ii) 171 North Plank Road, Newburgh New York 12550; and (iii) 91 North Street, Danbury CT 06810.² The Debtors dispute such alleged terminations, assert that such alleged terminations were not effective and believe that KFC's attempted terminations were likely a violation of the franchise agreements. The Debtors filed their Chapter 11 cases to protect all of their franchised restaurants, and, to the extent necessary, cure all defaults and reinstate the franchise agreements. The Debtors intend to reorganize their businesses and emerge from Chapter 11.

18. Bank of America, Headlee's primary secured lender, commenced foreclosure actions in Connecticut state court and New York state court to foreclose mortgages on various real estate entities, owned by Headlee. Headlee operates KFC franchises at these locations.

19. Pursuant to Local Rule 1007-2(a)(4), annexed hereto as **Exhibit "B"** is a list containing the names and addresses of the Headlee's twenty (20) largest unsecured creditors, excluding insiders. Each individual petition contains the list of the twenty (20) largest unsecured creditors against each Debtor.

20. Pursuant to Local Rule 1007-2(a)(5), annexed hereto as **Exhibit "C"** is a list containing the names of the holders of the Debtors' five (5) largest secured claims, on a consolidated basis, as most of the Debtors have the same secured creditors.

21. Pursuant to Rule 1007-2(a)(6) of the local bankruptcy rules, annexed hereto as

² KFC later rescinded termination of the two franchises located in Connecticut.

Exhibit “D” is an estimated, unaudited balance sheet, on a consolidated basis, showing the Debtors’ assets and liabilities as of November 17, 2009. The balance sheet is an internally generated estimate of assets and liabilities and will likely require adjustments.

22. The Debtors do not have any publicly held shares, debentures, or other securities.

23. There is no property of the Debtors in the possession or custody of any public officer, receiver, trustee, pledge, assignee of rents, liquidators, secured creditors, or agents of such person.

24. The Debtors are parties to several litigations. A complete list of all pending actions is or will be set forth in the Debtors’ statement of financial affairs.

25. Headlee’s assets consist primarily of cash, indirect ownership in real estate, and shares in its subsidiaries. The remaining Debtors’ assets are located at each of such Debtors’ premises, and include restaurant equipment, furnishings and perishables.

26. The Debtors currently employ approximately 350 people on a full-time and part-time basis. The vast majority of these employees are paid on an hourly basis and work at various restaurant locations. The employees are paid on a weekly basis. The weekly payroll is approximately \$62,000. The Debtor has approximately 20 management level employees, for which the weekly payroll is approximately \$21,000. Substantially all of the management level employees manage particular restaurant locations.

27. I am the Debtors’ Chief Executive Officer and receive a yearly salary of \$150,000.00. Lissa Brand-Kania is the Debtors’ Chief Operating Officer and receives a yearly salary of \$75,000.00. Daniel Lishetti is the only other senior management employee. Mr. Lishetti is responsible for general operations of the various restaurants. He receives a yearly salary of \$60,000.00.

28. During the thirty (30) day period following the Chapter 11 filing, the Debtors expect to generate revenues of approximately \$1,150,000.00, which should generate an operating profit of approximately \$52,000.00.

29. The Debtors intend to continue in the operation of its business and propose a plan of reorganization, which treats all creditors in a fair and equitable manner consistent with the provisions of the Bankruptcy Code.

/s/ Thomas N. Thurber
Thomas N. Thurber
Chief Executive Officer

Sworn to before me this
30th day of November, 2009

/s/ Karen Menendez
Karen Menendez
Notary Public, State of New York
No. 01ME6187810
Qualified in Queens County
Commission Expires May 27, 2012